

HOUSE BILL 3  
EMERGENCY BILL

Unofficial Copy  
C8

2004 Regular Session  
(4lr1454)

**ENROLLED BILL**

-- *Environmental Matters/Education, Health, and Environmental Affairs* --

Introduced by **The Speaker and Delegates McIntosh, Arnick, Barkley, Benson, Bobo, Bromwell, Bronrott, Busch, Cadden, Cane, Cardin, G. Clagett, V. Clagett, Conroy, Conway, Costa, D. Davis, DeBoy, Doory, Dumais, Edwards, Feldman, Franchot, Griffith, Harrison, Healey, Hixson, Howard, Hurson, James, Jones, Kaiser, Kelley, King, Kirk, Krysiak, Lee, Love, Madaleno, Malone, Mandel, Marriott, McConkey, McHale, Menes, Minnick, Moe, Montgomery, O'Donnell, Pendergrass, Proctor, Ramirez, Rosenberg, Sophocleus, Sossi, Taylor, V. Turner, Vallario, ~~and Vaughn Vaughn, Bohanan, Burns, Frush, Glassman, Hammen, Hogan, Holmes, Impallaria, Jennings, McDonough, Owings, Parker, Stern, Stull, and Weir Weir, and Eckardt~~**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Hurricane Isabel Disaster Relief Act**

3 FOR the purpose of establishing the Hurricane Isabel Housing Rehabilitation and  
4 Renovation Program in the Department of Housing and Community  
5 Development; providing that the Program shall include projects in which the  
6 Department ~~grants~~ provides loans or ~~serves as guarantor of loans~~ to rehabilitate  
7 or renovate primary residences ~~and~~ credit enhancements for private market

1 loans to rehabilitate, renovate, or replace primary residences, and financial  
 2 assistance under a certain buy-down program under certain circumstances;  
 3 requiring the Secretary to adopt guidelines and procedures for implementing  
 4 the Program; requiring the Department to make all reasonable efforts to  
 5 publicize the Program under certain circumstances; specifying the programs and  
 6 funds that the Department may utilize to ~~grant~~ provide loans or ~~serve as~~  
 7 ~~guarantor~~ credit enhancement of private market loans under the Program;  
 8 imposing certain ~~requirements for~~ conditions on the terms and ~~conditions~~  
 9 provisions of certain loans ~~granted~~ provided by the Department under the  
 10 Program; authorizing the Department to require local governments and  
 11 applicants for certain loans to demonstrate contribution or receipt of certain  
 12 resources under certain circumstances; authorizing the Department to establish  
 13 priorities for making loans under certain circumstances; imposing certain  
 14 requirements for the terms and conditions under which the Department may  
 15 ~~serve as guarantor of~~ provide credit enhancement for private market loans  
 16 under the Program; requiring the Department to approve and make available to  
 17 prospective borrowers a list of certain financial institutions; prohibiting the  
 18 Department from charging a premium or administrative fee for providing credit  
 19 enhancement for private market loans under certain circumstances; authorizing  
 20 the Department to establish a certain buy-down program under certain  
 21 circumstances; authorizing the Department to set the terms and conditions for  
 22 financial assistance under the buy-down program; prohibiting certain  
 23 provisions concerning eligibility requirements for or restrictions on the receipt of  
 24 certain financial assistance from applying under certain circumstances;  
 25 requiring the Department to continue to explore ~~and expand~~ opportunities to  
 26 provide reverse equity mortgages under certain circumstances; requiring the  
 27 Department to issue certain reports to the General Assembly on or before  
 28 certain dates; making this Act an emergency measure; providing for the  
 29 termination of certain provisions of this Act; and generally relating to the  
 30 Hurricane Isabel Disaster Relief Act.

31 Preamble

32 WHEREAS, The devastation caused by Hurricane Isabel in September 2003  
 33 impacted communities across the State; and

34 WHEREAS, The cost to date of repairing the property damage exacted by  
 35 Hurricane Isabel has totaled in the tens of millions of dollars; and

36 WHEREAS, The temporary housing and home repair funds that are provided by  
 37 existing State and federal emergency assistance programs, as well as private  
 38 insurance, are either of limited duration or leave substantial needs unmet for many  
 39 victims of Hurricane Isabel; and

40 WHEREAS, While most areas in the State that were hit hard by Hurricane  
 41 Isabel are now well on their way to recovery, several communities are still struggling;  
 42 and

1 WHEREAS, As we enter the coldest part of the winter season, over 300 families  
 2 remain in temporary housing or are on a waiting list for housing assistance from the  
 3 Federal Emergency Management Agency (FEMA); and

4 WHEREAS, The State is compelled to design a program to assist those who need  
 5 "gap" funding for property damage incurred beyond the limits set by insurance and  
 6 State, federal, or private market loans and grants for projects to rehabilitate,  
 7 renovate, or replace primary residences damaged by Hurricane Isabel; and

8 WHEREAS, As expeditiously as possible, the State needs to develop innovative  
 9 and effective means to address the unmet housing needs of these Maryland families  
 10 who have suffered such devastating losses; now, therefore,

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 12 MARYLAND, That:

13 (a) There is a Hurricane Isabel Housing Rehabilitation and Renovation  
 14 Program within the Department of Housing and Community Development.

15 (b) (1) The Department shall operate the Program as provided in this Act to  
 16 benefit the families whose primary residences were damaged by Hurricane Isabel.  
 17 The Program shall include projects in which the Department provides:

18 (i) ~~grants~~ grants low interest loans for ~~second~~ first or subordinate  
 19 mortgages to rehabilitate or renovate primary residences; ~~or~~

20 (ii) ~~serves as guarantor of~~ serves as guarantor of credit enhancement for loans obtained in  
 21 the private market to rehabilitate ~~or~~, renovate, or replace primary residences, subject  
 22 to funds being held in reserve for that purpose; or

23 (iii) financial assistance under a buy-down program that reduces  
 24 the amount a borrower pays on a loan obtained from the private market or from the  
 25 Department for a defined period of time.

26 (2) (i) The Secretary shall adopt guidelines and procedures for  
 27 implementing the Program so as to expedite the granting provision of assistance to  
 28 families whose primary residences were damaged by Hurricane Isabel.

29 (ii) The Department is not required to adopt regulations for the  
 30 implementation of the Program, but shall make all reasonable efforts to publicize the  
 31 eligibility requirements for the Program and the availability of benefits under the  
 32 Program.

33 (3) The Program shall include coverage for the repair or replacement of  
 34 water and sewer systems, including septic systems.

35 (c) The Department shall grant provide loans or ~~serve as guarantor of~~ credit  
 36 enhancement for private market loans under the Program utilizing funds from:

37 (1) the Maryland Housing Rehabilitation Program;

1 (2) the Maryland Housing Fund for credit enhancement, subject to funds  
 2 being held in reserve for that purpose; and

3 (3) any other State or federal housing or community development  
 4 program or fund.

5 (d) (1) This subsection applies to low interest loans ~~granted for second~~  
 6 provided for first or subordinate mortgages to rehabilitate or renovate primary  
 7 residences.

8 (2) ~~The Program is designed to provide "gap" funding for property~~  
 9 ~~damage incurred beyond the limits set by insurance and State, federal, or private~~  
 10 ~~market loans and grants for projects to rehabilitate or renovate primary residences~~  
 11 ~~damaged by Hurricane Isabel.~~

12 (3) (2) The terms and provisions of a loan ~~granted~~ provided in  
 13 accordance with this subsection shall satisfy the terms and provisions under the  
 14 program or fund from which the funds are utilized for the loan, except that conform to  
 15 the following conditions:

16 (i) the interest rate shall be set by the Department between 0.0%  
 17 and 2.5%;

18 (ii) the payment of the principal on the loan shall be deferred;

19 ~~1~~ until the sale or transfer of the primary residence or the  
 20 refinancing of the ~~first~~ prior lien mortgage or deed of trust on the primary residence;  
 21 ~~or~~

22 ~~2~~ as long as the borrower retains an undiminished fee  
 23 simple interest in the property;

24 (iii) notwithstanding the income eligibility requirements of the fund  
 25 or program from which funds are utilized for providing a loan, the maximum income  
 26 eligibility requirements for a loan shall be 125% of the maximum income limits under  
 27 the Maryland Housing Rehabilitation Program for the Washington, D.C. Metropolitan  
 28 Statistical Area;

29 (iii) (iv) ~~after satisfying the income eligibility requirements,~~  
 30 priority shall be given to families who have been relocated into temporary housing by  
 31 or have received rental assistance from FEMA, and to families who have not obtained  
 32 any assistance from FEMA but otherwise qualify for such assistance; and

33 (iv) (v) the availability of comparable private market financing  
 34 may not be an impediment to obtaining the loan.

35 (3) The Department may require local governments to demonstrate a  
 36 contribution of resources satisfactory to the Department before the Department  
 37 provides loans under this subsection.

1           (4)     The Department may require an applicant for a loan under this  
 2 subsection to demonstrate that the applicant has applied and received all possible  
 3 assistance from FEMA, the Small Business Administration (SBA), or other  
 4 governmental or commercial sources, including hazard insurance.

5           (5)     The Department may require an affidavit from an applicant for a  
 6 loan under this subsection confirming other governmental or commercial sources of  
 7 assistance, which may be shared with FEMA, SBA, or other governmental agencies  
 8 that provide assistance.

9           (6)     The Department may establish priorities for making loans available  
 10 under this subsection.

11         (e)     (1)     This subsection applies to housing rehabilitation ~~or~~, renovation, or  
 12 onsite replacement loans obtained in the private market for which the Department  
 13 ~~serves as guarantor~~ provides credit enhancement.

14           (2)     The Program is designed to facilitate the availability and utilization  
 15 of private market loans for the rehabilitation ~~and~~, renovation, or onsite replacement  
 16 of primary residences damaged by Hurricane Isabel by a family:

17                   (i)     who otherwise meets the qualifications for a loan offered by a  
 18 financial institution; and

19                   (ii)    1.     who has been relocated into temporary housing by or has  
 20 received rental assistance from FEMA, or who has not obtained any assistance from  
 21 FEMA but otherwise qualifies for such assistance; or

22                                 2.     whose primary residence has been found to be partially or  
 23 totally uninhabitable.

24           (3)     A loan for which the Department ~~serves as guarantor~~ provides credit  
 25 enhancement under this subsection:

26                   (i)     may include the refinancing of existing mortgage loans on the  
 27 primary residence; and

28                   (ii)    may not include a home equity line of credit.

29           (4)     The Department shall approve and make available to prospective  
 30 borrowers a list of financial institutions that are willing to offer loans for which the  
 31 Department may ~~serve as guarantor~~ provide credit enhancement under this  
 32 subsection.

33           (5)     The Department shall ~~serve as guarantor~~ provide credit  
 34 enhancement of a loan under this subsection for the amount of the loan proceeds that  
 35 is over ~~90%~~ 80% and up to 115% of the ~~expected~~ fair market value of the ~~home~~  
 36 property after the rehabilitation ~~and~~, renovation, or onsite replacement is completed,  
 37 as determined by an appraisal ~~at the time the loan is closed~~ used to process and  
 38 approve the loan.

1           (6)   (i)    The Department shall ~~ensure~~ determine that the terms and  
2 provisions of a loan offered by a financial institution for which the Department ~~serves~~  
3 ~~as guarantor~~ provides credit enhancement are reasonable and reflective of the  
4 mortgage market.

5                   (ii)    The payment of the principal and interest on loan proceeds paid  
6 out from time to time as renovations and rehabilitations are completed may be  
7 deferred until all loan proceeds have been paid out or until 12 months after the first  
8 disbursement of loan proceeds, whichever occurs first.

9                   (iii)    ~~The payment of the principal and interest on a loan after all~~  
10 ~~loan proceeds have been paid out or after 12 months following the first disbursement~~  
11 ~~of loan proceeds, whichever occurs first, may not be deferred and shall be amortized~~  
12 ~~over the remaining term of the loan.~~

13           (7)    The Department may not charge a premium or administrative fee for  
14 credit enhancement provided under this subsection.

15   (f)   (1)    The Department is authorized to establish a buy-down program to  
16 assist families who may not be eligible for assistance from the Department under  
17 subsection (d) of this section.

18           (2)    Financial assistance provided under the buy-down program shall  
19 reduce the amount a borrower pays on a loan obtained in the private market or from  
20 the Department for a defined period of time by making funds available that effectively  
21 reduce the interest rate or otherwise reduce the amount the borrower is required to pay.

22           (3)    The buy-down program may be funded from:

23                   (i)    the Special Loan Programs Fund;

24                   (ii)   the Homeownership Programs Fund; or

25                   (iii)   any other source of funds available to the Department.

26           (4)    The Department may set the terms and conditions for financial  
27 assistance under the buy-down program.

28           (5)    The provisions of Article 83B of the Annotated Code of Maryland  
29 concerning eligibility requirements for or conditions or restrictions on the receipt of  
30 financial assistance from the Department, including maximum income limits, do not  
31 apply to financial assistance provided to borrowers under the buy-down program.

32           (6)    The amount of financial assistance a borrower may receive under the  
33 buy-down program may be adjusted, at the discretion of the Department, based on the  
34 income of the borrower.

35   (⊕)   (g)    The Department shall continue to explore ~~and expand~~ opportunities  
36 to provide reverse equity mortgages to those families who may choose to use this

1 method of financing home rehabilitation and renovation projects, particularly those  
2 families whose homes were damaged by Hurricane Isabel.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of  
4 Housing and Community Development shall issue to the General Assembly, in  
5 accordance with § 2-1246 of the State Government Article, a preliminary report on or  
6 before September 30, 2004 and a final report on or before September 30, 2005 on the  
7 implementation of this Act. The reports shall include:

8 (a) with reference to loans provided by the Department, the amounts of the  
9 loans and the borrowers' counties of residence;

10 (b) with reference to loans obtained in the private market for which the  
11 Department provided credit enhancements, the amounts of the credit enhancements,  
12 the borrowers' counties of residence, the names of the financial institutions that  
13 provided the loans, and the amounts of the loans; and

14 (c) with reference to other financial assistance provided, including financial  
15 assistance provided under the buy-down program, the amounts and sources of the  
16 financial assistance and the borrowers' counties of residence.

17 ~~SECTION 3.~~ SECTION 3. AND BE IT FURTHER ENACTED, That this Act is an  
18 emergency measure, is necessary for the immediate preservation of the public health  
19 or safety, has been passed by a yea and nay vote supported by three-fifths of all the  
20 members elected to each of the two Houses of the General Assembly, and shall take  
21 effect from the date it is enacted. ~~§ Section 2 1 of this Act~~ shall remain effective  
22 through May 31, 2005 and, at the end of May 31, 2005, with no further action  
23 required by the General Assembly, ~~Section 2 1 of this Act~~ shall be abrogated and of no  
24 further force and effect.